

**BEAVERTON AREA
FIRE PROTECTION DISTRICT
GLADWIN COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

BEAVERTON AREA FIRE PROTECTION DISTRICT

Board Members

City of Beaverton

Clark Wentz
Pattie Vallender

Beaverton Township

Madalyn Hubble
Jan Posey

Tobacco Township

Craig Bergman
James Andrist

Fire Chief

Dean Mathews

Administrator

Jill Nau

BEAVERTON AREA FIRE PROTECTION DISTRICT

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Independent Auditors' Report

Members of the
Administrative Board
Beaverton Area Fire Protection District
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beaverton Area Fire Protection District, Gladwin County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Administrative Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Beaverton Area Fire Protection District, Gladwin County, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Burnside & Lang, P.C.

Midland, Michigan
September 24, 2008

BEAVERTON AREA FIRE PROTECTION DISTRICT
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
March 31, 2008

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 154,407	\$ -	\$ 154,407
Prepaid insurance	2,514	-	2,514
Capital assets, net	-	512,230	512,230
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 156,921	512,230	669,151
	<hr/> <hr/>	<hr/>	<hr/>
LIABILITIES			
Accounts payable	\$ 1,286	-	1,286
Installment purchase contracts	-	323,056	323,056
	<hr/>	<hr/>	<hr/>
Total Liabilities	1,286	323,056	324,342
	<hr/>	<hr/>	<hr/>
FUND BALANCE/NET ASSETS			
Fund balance			
Reserved - prepaid expenses	2,514	(2,514)	-
Unreserved:			
Undesignated	153,121	(153,121)	-
	<hr/>	<hr/>	<hr/>
Total Fund Balance	155,635	(155,635)	-
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 156,921		
	<hr/> <hr/>		
Net Assets			
Invested in capital assets, net of related debt		189,174	189,174
Unrestricted		155,635	155,635
		<hr/>	<hr/>
Total Net Assets		\$ 344,809	\$ 344,809
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

BEAVERTON AREA FIRE PROTECTION DISTRICT
STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2008

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
REVENUES			
Local contributions			
City of Beaverton	\$ 19,585	\$ -	\$ 19,585
Beaverton Township	48,073	-	48,073
Tobacco Township	110,390	-	110,390
Interest income	416	-	416
Sale of fixed assets	-	-	-
Miscellaneous income	2,730	-	2,730
	<hr/>	<hr/>	<hr/>
Total revenues	181,194	-	181,194
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Salaries and wages	40,297	-	40,297
Accounting	3,224	-	3,224
Contracted services	3,000	-	3,000
Gas and oil	4,231	-	4,231
Hepatitis B	256	-	256
Insurance	21,470	-	21,470
Meetings and training	3,229	-	3,229
Office supplies	1,088	-	1,088
Operating supplies	17,228	-	17,228
Operating lease	1	-	1
Rent	4,000	-	4,000
Repair and maintenance	9,050	-	9,050
Telephone	2,860	-	2,860
Utilities	5,617	-	5,617
Capital outlay	3,530	(3,530)	-
Depreciation	-	44,585	44,585
Debt service:			
Principal payments - Fire pumper	15,000	(15,000)	-
Interest payments - Fire pumper	10,347	-	10,347
Principal payments - Tanker	16,270	(16,270)	-
Interest payments - Tanker	7,319	-	7,319
	<hr/>	<hr/>	<hr/>
Total expenditures	168,017	9,785	177,802
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	13,177	(9,785)	3,392
	<hr/>	<hr/>	<hr/>
Fund balance/Net assets, beginning of year	142,458	198,959	341,417
	<hr/>	<hr/>	<hr/>
Fund balance/Net assets, end of year	\$ 155,635	\$ 189,174	\$ 344,809
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

BEAVERTON AREA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Beaverton Area Fire Protection District (the "District") conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

A. Reporting Entity

The District operates under a joint agreement created by the City of Beaverton, the Township of Beaverton and the Township of Tobacco in Gladwin County, Michigan. The agreement was created in 1971 to form a fire protection district comprising the entire area of these three governmental units. The District is governed by an Administrative Board with each unit of government appointing two members to the Board. Consequently, the District's ability to provide services is dependent upon the continued support of these three units of government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

BEAVERTON AREA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

All receivables are shown net of allowance for uncollectible accounts, if any.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net assets. Capital assets are defined by their government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Equipment	3-5 years
Vehicles	25 years

Fund Balance

The District reports reservations of its fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

BEAVERTON AREA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The District does not have any vacation, sick time or other benefits, which meet the requirements for recording compensated absences. Accordingly, no liability has been recorded for compensated absences.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The District does not follow encumbrance accounting. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is at the fund level.

During the year, the District incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
Salaries & Wages	\$ 25,000	\$ 40,297
Gas & Oil	3,000	4,231
Insurance	20,600	21,470
Office Supplies	1,000	1,088

NOTE 3. DEPOSITS AND CASH EQUIVALENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The District is allowed to invest in bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal direct investment by local units of government in Michigan.

BEAVERTON AREA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE 3. DEPOSITS AND CASH EQUIVALENTS (continued)

The District's deposits and investments are in accordance with statutory authority.

Cash and Cash Equivalents, as of March 31, 2008, consist of cash in bank checking, savings, and certificate of deposit accounts totaling \$154,407, of which \$100,000 is covered by federal deposit insurance.

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At year end, the District had \$54,407 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the District had no investments.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The District's current investments have no potential interest rate risk.

NOTE 4. RELATED PARTY TRANSACTIONS

The District entered into a lease agreement with Tobacco Township, Gladwin County for the use of a 2002 Ford Fire Truck. The lease agreement is for five years and requires the District to pay Tobacco Township \$1 per year plus annual insurance and maintenance costs.

BEAVERTON AREA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE 5. CAPITAL ASSETS

Capital asset activity of the District for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Equipment and Vehicles	\$ 918,846	\$ 3,530	\$ -	\$ 922,376
Less Accumulated Depreciation for:				
Equipment and Vehicles	365,561	44,585	-	410,146
Governmental Activities Capital Assets – Net of Depreciation	<u>\$ 553,285</u>	<u>\$ (41,055)</u>	<u>\$ -</u>	<u>\$ 512,230</u>

NOTE 6. ECONOMIC DEPENDENCY

Revenue appropriations from the City of Beaverton, the Township of Beaverton and the Township of Tobacco during the year ended March 31, 2008, represented approximately 99% of the District's total revenue. The revenue amounts of each governmental unit are determined on a proportional basis with City of Beaverton contributing 13%, the Township of Beaverton contributing 27% and the Township of Tobacco contributing 60% of the appropriated revenue.

BEAVERTON AREA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE 7. LONG TERM DEBT

The individual fund long-term debt and other general long-term obligations of the District and the changes therein, are summarized as follows:

	April 1, 2007	Additions Reductions)	March 31, 2008
Loan #97-01 – USDA (RD)	\$ 142,013	\$ (10,000)	\$ 132,013
Loan #97-03 – USDA (RD)	78,013	(5,000)	73,013
Lease – Kansas State Bank	134,300	(16,270)	118,030
Total Long-Term Debt	<u>\$ 354,326</u>	<u>\$ 31,270</u>	<u>\$ 323,056</u>

Year ended March 31,	Amounts
2009	\$ 31,157
2010	32,092
2011	33,078
2012	34,118
2013	35,214
Thereafter	157,397
	<u>\$ 323,056</u>

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and workplace injuries (workers compensation). The District purchases commercial insurance to cover the risks of these losses. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage.

BEAVERTON AREA FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	(Over) Under Budget
REVENUES				
Local contributions:				
City of Beaverton	\$ 19,585	\$ 19,585	\$ 19,585	\$ -
Beaverton Township	48,073	48,073	48,073	-
Tobacco Township	110,390	110,390	110,390	-
Interest	-	-	416	(416)
Sale of fixed assets	-	-	-	-
Miscellaneous Income	-	-	2,730	(2,730)
Total revenues	<u>178,048</u>	<u>178,048</u>	<u>181,194</u>	<u>(3,146)</u>
EXPENDITURES				
Salaries and wages	25,000	25,000	40,297	(15,297)
Accounting	4,000	4,000	3,224	776
Contracted services	4,000	4,000	3,000	1,000
Equipment	3,000	3,000	-	3,000
Gas and oil	3,000	3,000	4,231	(1,231)
Hepatitis B	600	600	256	344
Insurance	20,600	20,600	21,470	(870)
IRS	6,000	6,000	-	6,000
Meetings and training	6,000	6,000	3,229	2,771
Office supplies	1,000	1,000	1,088	(88)
Operating supplies	20,500	20,500	17,228	3,272
Operating lease	1	1	1	-
Rent	4,500	4,500	4,000	500
Repair and maintenance	10,000	10,000	9,050	950
Telephone	3,000	3,000	2,860	140
Utilities	7,000	7,000	5,617	1,383
Capital outlay	10,000	10,000	3,530	6,470
Debt service:				
Principal payments - Fire pumper	15,000	15,000	15,000	-
Interest payments - Fire pumper	11,257	11,257	10,347	910
Principal payments - Tanker	16,270	16,270	16,270	-
Interest payments - Tanker	7,320	7,320	7,319	1
Total expenditures	<u>178,048</u>	<u>178,048</u>	<u>168,017</u>	<u>10,031</u>
Excess of revenues over expenditures	-	-	13,177	<u>\$ (13,177)</u>
Fund balance, beginning of year	<u>142,458</u>	<u>142,458</u>	<u>142,458</u>	
Fund balance, end of year	<u>\$ 142,458</u>	<u>\$ 142,458</u>	<u>\$ 155,635</u>	

September 24, 2008

Members of the Administrative Board
Beaverton Fire Area Protection District
Gladwin County, Michigan

In planning and performing our audit of the financial statements of Beaverton Area Fire Protection District (the "District") for the year ended March 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

SIGNIFICANT DEFICIENCIES

Financial Accounting and Reporting

Management relies on the District's auditors to ensure the financial statements conform to generally accepted accounting principles ("GAAP"). Therefore, as a part of our engagement to audit the financial statements, we draft the financial statements and the related footnotes for

Financial Accounting and Reporting (Continued)

approval by management and the finance committee of the board of directors. This is a conscious and practical approach to preparing the financial statements since the District has determined that the costs to established internal controls over financial reporting and to develop the skills and knowledge of its personnel to apply generally accepted accounting principles in preparing the financial statements is greater than the risk of misstatements occurring in the financial statements. However, as a result of recently issued professional auditing standards, this situation meets the definition of a significant deficiency and a material weakness in internal control.

The interim financial statements and management reports are generally prepared on a comprehensive basis of accounting other than generally accepted accounting principles, i.e. the modified accrual basis. It appears that the interim financial reports received by management are appropriate in form and content thereby allowing management to make appropriate decisions regarding financial matters. Therefore, the control weakness over preparation of financial statements in conformity with GAAP is not a significant requirement of management.

We considered this internal control deficiency in planning the scope of our audit procedures and believe that we have appropriately addressed the risk of any misstatements in the audited financial statements. Therefore, due to the relative cost to eliminate the internal control deficiency over financial reporting in conformity with GAAP related to the risks involved and considering the audit procedures performed to address the risk of misstatements in the audited financial statements, we do not recommend any actions to address this weakness at this time. However, we do recommend that management routinely review the internal controls in place to prepare the interim financial reports to ensure accurate information is provided in those reports.

MANAGEMENT COMMENTS

Financial Oversight

The general limitations in any smaller organization like the Beaverton Area Fire Protection District require that the Administrative Board continue to remain involved in the financial affairs of the District through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the interim financial statements, and the independent review of critical functions. Based on inquiries, the Administrative Board perform these duties and our comment here is intended to emphasize the importance of its oversight.

This report is intended for the information of the members of the Beaverton Area Fire Protection District Administrative Board, management and the State of Michigan.

This communication is intended solely for the information and use of management, Beaverton Area Fire Protection District Administrative Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Burnside & Lang, P.C.

BURNSIDE & LANG, P.C.